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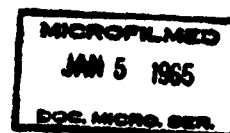
Chief, Foreign Division  
Attention:  
Chief of Station, Vienna

1 May 1961

Operational

Approach to ZAKO

Reference: SALZ-100; WASH-39567



1. We are forwarding herewith the basic correspondence on the Detachment 35 - A-2 approach to PARAGO and KORPONAY. All of the Detachment 35 correspondence was written by Zachary T. Lippold on behalf of G-2. [ ] acted as consultant to Detachment 35, and at the last meeting with KORPONAY (coded 2167 in XDB-1118) KORPONAY was really shown that U.S. intelligence is thoroughly aware of his and ZAKO's activities and approaches.
2. Up to the time that Lippold and his associates threw the book at him, KORPONAY had been extremely arrogant. If this approach to getting an intelligence operation through the ZAKO group fails, we doubt if any approach will be successful. KORPONAY has always been the man to whom ZAKO has delegated the responsibility for whatever intelligence collection he has sponsored. Therefore, there would seem to be no point in approaching ZAKO directly until we see what KORPONAY has to offer. If it turns out that KORPONAY submits the names of LENUYEL, RAIKY, KAPITANYFY and all of the other KHEK intelligence contacts we know as his staff for the Detachment 35 operation, we will know definitely that the break with ZAKO is purely an arrangement of convenience because these people have not broken with ZAKO. In that case, whatever plan KORPONAY presents will be the best offer the KHEK can present.
3. It is requested that Headquarters permit us to postpone the direct approach to ZAKO until the KORPONAY project has been tested. Meanwhile, if PARAGO returns to Europe, we will use A-2 as a cover to contact ZAKO through PARAGO. We do not feel that an independent approach directly to ZAKO will bring any results as long as ZAKO has any reason to believe that PARAGO's grandiose scheme may be accepted by the U. S. Government.
4. Re paragraph 3 of WASH-39567: We have direct contact with Radio Free Europe through Foley, who has met [ ] However, since Newhouse is so close to the top RFE people, we feel it is best to handle most RFE problems through him. If [ ] were to begin to function as consultant to RFE on Hungarian

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matters, he would have little time left for other operations. Furthermore, the approach to the information collection of RFE is so different from ours that our advice on Hungarian sources would scarcely be taken. The case of Robert HALMI is a case in point. We consider him an insecure peddler of highly dubious material, whereas RFE considers him their best source of Hungarian information in spite of our warning.

8. The following reports are attached:

- a. Memorandum for the Record, Subject: Conference with Ladislav FARAGO of Radio Free Europe, dated 19 April 1951
- b. A-2 WASH Cable No. K-3965, dated 6 April 1951
- c. A-2 WREFA Cable No. F0613, dated
- d. Detachment 35 Report, No. KOR-1116, dated 30 April 1951, Subject: Operation DABBY
- e. Detachment 35 Report No. XCR-1128, dated 27 April 1951, Subject: Operation DABBY

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